ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019 AND INDEPENDENT AUDITOR'S REPORT

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

INDEX	PAGE
Independent auditor's report	1 – 2
Statement of financial position	3
Statement of profit or loss and other comprehensive income	4
Statement of changes in equity	5
Statement of cash flows	6
Notes to the financial statements	7 – 39

Deloitte.

Deloitte and Touche & Co.
Chartered Accountants
Head office - Riyadh
License #323/11/96
Date 10/3/1419
www.deloitte.com

To the shareholders
Alistithmar for Financial Securities and Brokerage Company
(A Saudi Closed Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alistithmar for Financial Securities and Brokerage Company ("the Company"), which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in notes 1 to 26.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the Company's financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and applicable Regulations for Companies and the Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Report on the Audit of the Financial Statements of Alistithmar for Financial Securities and Brokerage Company for the year ended 31 December 2019 (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte and Touche & Co.
Chartered Accountants

Waleed bin Moh'd Sobahi
License No. 378
Rajab 28, 1441H
March 23, 2020

ديلويت آند توش وشركاهم
محاسبون ومراجعون قانونيون
ترخيص رقم ٩٦/١١/٣٢٣
License. 323/11/96
HO-Riyadh
Chartered Accountants
Deloitte and Touche & Co.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2019
All amounts in Saudi Riyals unless otherwise stated

ASSETS	**Note**	**2019**	2018
Non-current assets			
Right-of-use Assets	3	**3,177,355**	-
Property and equipment, net	4	**737,970**	1,678,180
Intangibles, net	5	**1,864,034**	2,035,438
Investments at fair value through other comprehensive income (FVTOCI)	6	**6,628,798**	2,169,720
Goodwill	7	**11,879,718**	11,879,718
Deferred tax assets	8	**-**	108,000
Total non-current assets		**24,287,875**	17,871,056
Current assets			
Cash and cash equivalents	9	**835,059**	708,674
Investments at fair value through profit or loss (FVTPL)	6	**18,804,533**	26,960,476
Margin loans and murabaha financing	10	**486,794,733**	376,906,391
Accrued fees and commission income	11	**29,799,245**	28,266,030
Prepaid expenses and other assets	12	**4,925,502**	4,099,724
Total current assets		**541,159,072**	436,941,295
TOTAL ASSETS		**565,446,947**	454,812,351
EQUITY AND LIABILITIES			
Non-current liabilities			
Employees' termination benefits	13	**15,891,112**	14,219,301
Employees' long-term benefits	14	**50,985**	6,367,020
Lease Liability	3	**108,411**	-
Total non-current liabilities		**16,050,508**	20,586,321
Current liabilities			
Bank overdraft	20	**112,594,666**	23,346,202
Accrued expenses and other liabilities	15	**25,630,859**	33,182,774
Lease Liability – current portion	3	**3,126,681**	-
Zakat payable	16	**19,533,606**	14,798,042
Income tax payable	16	**412,177**	539,618
Total current liabilities		**161,297,989**	71,866,636
TOTAL LIABILITIES		**177,348,497**	92,452,957
CAPITAL AND RESERVES			
Share capital		**250,000,000**	250,000,000
Statutory reserve		**27,639,278**	25,557,696
Retained earnings		**109,848,006**	86,550,778
Investment revaluation reserve		**611,166**	250,920
TOTAL SHAREHOLDER'S EQUITY		**388,098,450**	362,359,394
TOTAL EQUITY AND LIABILITIES		**565,446,947**	454,812,351

The accompanying notes on pages 7 to 39 form an integral part of these financial statements.

ALISTITHMAR FOR FINANCIAL SECURITIES AND BROKERAGE COMPANY
(A SAUDI CLOSED JOINT STOCK COMPANY)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
All amounts in Saudi Riyals unless otherwise stated

	Note	2019	2018
OPERATING INCOME			
Brokerage fee income, net		**35,180,968**	37,075,411
Asset management fee, net		**42,195,262**	25,253,680
Commission income on margin lending		**23,044,937**	27,412,159
Realized Gain / (loss) on sale of investments at FVTPL		**2,387,264**	(446,957)
Unrealized Gain / (Loss) on investments at FVTPL	6	**1,345,307**	(4,309,518)
Corporate finance fee, net		**1,010,000**	2,000,000
Dividend income		**-**	232,438
Other income		**840,245**	306,918
Total operating income		**106,003,983**	87,524,131
OPERATING EXPENSES			
Salaries and employee related expenses		**50,227,307**	50,749,522
Business service charges		**1,099,276**	4,280,867
Commission expense on bank overdraft		**499,077**	3,968,180
Subscription fees		**3,030,491**	3,236,189
Depreciation and amortization	4 , 5	**1,890,804**	2,526,982
Amortization of right-of-use assets	3	**3,066,207**	
Legal and professional fees		**1,755,837**	2,474,994
Expected credit loss provision	17	**(177,977)**	291,251
Other general, administrative and marketing expenses	18	**10,399,803**	9,582,289
Finance cost on lease	3	**189,336**	-
Total operating expenses		**71,980,161**	77,110,274
Profits before zakat and income tax		**34,023,822**	10,413,857
Zakat	16	**(13,030,000)**	(8,420,000)
Income tax	16	**(70,000)**	(210,000)
Deferred tax	8	**(108,000)**	(218,000)
		(13,208,000)	(8,848,000)
NET PROFIT FOR THE YEAR		**20,815,822**	1,565,857
Other comprehensive income			
Other comprehensive income that may be reclassified subsequently to the statement of profit or loss		**-**	-
Other comprehensive income that will not be reclassified subsequently to the statement of profit or loss:			
Realized gain / (loss) on sale of investments at FVTOCI	6	**3,965,495**	(278,873)
Net change in fair value of investments at FVTOCI	6	**611,166**	250,920
Actuarial remeasurement of employee termination benefits	13	**346,573**	712,248
Actuarial remeasurement of employee long-term benefits	14	**-**	1,238,381
Other comprehensive income for the year		**4,923,234**	1,922,676
Total comprehensive income for the year		**25,739,056**	3,488,533
EARNINGS PER SHARE (Saudi Riyals):	19		
Basic		**0.83**	0.06
Diluted		**0.83**	0.06

The accompanying notes on pages 7 to 39 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019

All amounts in Saudi Riyals unless otherwise stated

	Share capital	Statutory reserve	Retained earnings	Investment revaluation reserve	Total
January 1, 2019	**250,000,000**	**25,557,696**	**86,550,778**	**250,920**	**362,359,394**
Net profit for the year	**-**	**-**	**20,815,822**	**-**	**20,815,822**
Other comprehensive income	**-**	**-**	**346,573**	**4,576,661**	**4,923,234**
Total comprehensive income for the year	**-**	**-**	**21,162,395**	**4,576,661**	**25,739,056**
Realized gain on sale of investments at FVTOCI	**-**	**-**	**4,216,415**	**(4,216,415)**	**-**
Transfer to statutory reserve	**-**	**2,081,582**	**(2,081,582)**	**-**	**-**
December 31, 2019	**250,000,000**	**27,639,278**	**109,848,006**	**611,166**	**388,098,450**
December 31, 2017	250,000,000	25,401,110	76,816,265	6,929,118	359,146,493
Adjustment on opening retained earnings on adoption of IFRS 9	-	-	6,653,486	(6,929,118)	(275,632)
January 1, 2018 - restated	250,000,000	25,401,110	83,469,751	-	358,870,861
Net profit for the year	-	-	1,565,857	-	1,565,857
Other comprehensive income	-	-	1,950,629	(27,953)	1,922,676
Total comprehensive income for the year	-	-	3,516,486	(27,953)	3,488,533
Realized loss on sale of investments at FVTOCI	-	-	(278,873)	278,873	-
Transfer to statutory reserve	-	156,586	(156,586)	-	-
December 31, 2018	250,000,000	25,557,696	86,550,778	250,920	362,359,394

The accompanying notes on pages 7 to 39 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
All amounts in Saudi Riyals unless otherwise stated

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Profits before zakat and income tax		**34,023,822**	10,413,857
Adjustments to reconcile net profit to net cash used in operating activities:			
Depreciation and amortization	4 , 5	**1,890,804**	2,526,982
Amortization of right of use assets		**3,066,207**	-
Employee termination benefits		**2,612,468**	2,552,116
(Reversal) / employee long-term benefits		**(345,317)**	1,396,205
Realized (gain) / loss on sale of FVTPL		**(2,387,264)**	446,957
Unrealized (gain) / loss of FVTPL		**(1,345,307)**	4,309,518
(Reversal) / expected credit loss provision		**(177,977)**	291,251
Finance cost on lease		**189,336**	-
Dividend income		**-**	(232,438)
Gain on sale of property and equipment		**-**	(210)
Changes in working capital:			
Margin loans and murabaha financing		**(109,888,342)**	(73,490,472)
Accrued fees and commission income		**(1,360,096)**	(5,729,530)
Prepaid expenses and other assets		**(820,904)**	2,997,818
Accrued expenses and other liabilities		**(7,551,915)**	7,390,102
Employee termination benefits paid		**(594,084)**	(1,949,254)
Employee long term benefits paid		**(5,970,718)**	(2,978,722)
Zakat paid		**(8,294,436)**	(5,612,364)
Income tax paid		**(197,441)**	(202,126)
Net cash used in operating activities		**(97,151,164)**	(57,870,310)
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property and equipment and intangibles		**(779,190)**	(936,731)
Proceeds from sale of property and equipment		**-**	6,637
Purchase of investments at fair value through other comprehensive income		**(22,728,884)**	(1,918,800)
Proceeds from sale of investments at FVTPL		**11,888,514**	77,424,978
Proceeds from sale of investments at FVTOCI		**22,846,467**	1,373,378
Net cash generated from investing activities		**11,226,907**	75,949,462
CASH FLOW FROM FINANCING ACTIVITY			
Change in bank overdraft		**89,248,464**	(18,080,214)
Change in lease		**(3,197,806)**	-
Net cash generated from (used in) financing activity		**86,050,658**	(18,080,214)
Net increase (decrease) in cash and cash equivalents		**126,401**	(1,062)
Cash and cash equivalents at the beginning of the year		**709,269**	710,331
Expected credit loss provision		**(611)**	(595)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**835,059**	708,674

Supplemental non-cash information

		2019	2018
Net change in fair value of investment at FVTOCI		**(4,576,661)**	27,953
Actuarial remeasurement of employee termination benefits		**(346,573)**	(712,248)
Actuarial remeasurement of employee long term benefits		**-**	(1,238,381)

The accompanying notes on pages 7 to 39 form an integral part of these financial statements.

1. GENERAL

The Alistithmar for Financial Securities and Brokerage Company – Alistithmar Capital (the "Company") is a Saudi Closed Joint Stock Company established under the Regulations for Companies in the Kingdom of Saudi Arabia. The Company was converted from a limited liability company to a Saudi Closed Joint Stock Company on Jumada Awal 19, 1436H (corresponding to March 10, 2015). The Company operates under Commercial Registration No. 1010235995 issued in Riyadh on Rajab 8, 1428 H (corresponding to July 22, 2007). The Company also operates its activities under Authorization License number (7061-15) dated Jumada Awal 16, 1428 H (corresponding to June 2, 2007), subsequently revised with Authorization License number (11156-37) dated Shawal 10, 1432H (corresponding to September 25, 2011G) issued by the Capital Market Authority (CMA).

The Company's registered postal address is as follows:

Alistithmar for Financial Securities and Brokerage Company – Alistithmar Capital
P. O. Box 6888
Riyadh 11452
Kingdom of Saudi Arabia

The Company's share capital of SR 250 million as at December 31, 2019 and 2018 consists of 25,000,000 fully paid shares of SR 10 each, and is wholly-owned by the Saudi Investment Bank.

The foreign shareholding in the Company decreased to Nil stake in The Saudi Investment Bank (the "Bank"), which resulted a decrease of the foreign shareholding in the Company to Nil as at December 31, 2019 (December 31, 2018: 2.5%). Change in ownership resulted in nil recognition of income tax and deferred tax from the date of change.

The principal activities of the Company are dealing in securities as principal and agent, underwriting, management of investment funds and private investment portfolios on behalf of customers, arrangement and advisory and custody services relating to financial securities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"), collectively hereafter referred to as "IFRS".

Historical cost convention

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values and employee defined benefit liabilities, which have been actuarially valued as explained in the accounting policies below. The principal accounting policies are set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Historical cost convention (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

Critical accounting estimates and judgments

The preparation of the financial statements requires management to use judgment in applying accounting policies and estimates and assumptions about the future. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(i) Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is an objective evidence that a financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of profit or loss and other comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between the cost and fair value.
(b) For assets carried at cost, impairment is the difference between the cost and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.
(c) For assets carried at amortized cost, impairment is based on estimated cash flows that are discounted at the original effective interest rate.

(ii) Assumption for Employees' benefits provision

The calculation of end of service benefits provision greatly depends on employees' estimated length of service and their estimated salary in the final years of service. Such estimates were based on the actuarial assumptions developed by management. Those actuarial assumptions were based on the Company's historical data, recent trends, and management plans and forecasts with respect of salary levels.

The discount rate was estimated by reference to yields on the governmental bonds, as management assessed that there is no deep market in high quality corporate bonds. The Company used a single discount rate that approximates the estimated timing and amount of benefit payments.

(iii) Impairment on Goodwill

Goodwill represents the difference between the purchase value and the fair value of the net assets acquired at the purchase date. The price is determined as the fair value at the acquisition date. Goodwill is stated at the statement of financial position date at cost reduced for impairment in value, if any. Impairment is assessed at each reporting date by discounting the future estimated cash flows, or fair value less cost whichever is higher.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

a) Reporting currency

These financial statements are presented in Saudi Riyals ("SR") which is the functional currency of the Company.

b) Transaction and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets
All recognized financial assets are initially recognized at cost and subsequently measured in their entirety at either amortized cost or fair value, depending on the classification.

Classification of financial assets
Debt instruments that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at Fair Value Through Other Comprehensive Income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at Fair Value Through Profit or Loss ("FVTPL").

Despite the above, the Company may make the following irrevocable election / designation at the initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Effective interest method
The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognized in profit or loss.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments designated as at FVTOCI
A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets
The Company recognizes a loss allowance for expected credit losses on cash and cash equivalent, accrued fees and commission income and other receivables. No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime Expected Credit Loss ("ECL") for other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating
- significant deterioration in external market indicators of credit risk for a particular financial instrument
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations
- an actual or expected significant deterioration in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Company considers a financial asset to have low credit risk when it has an internal or external credit rating of ‘investment grade’ in accordance with the globally understood definition.

For loan commitments and financial guarantee contracts, the date that the Company becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a loan commitment, the Company considers changes in the risk of a default occurring on the loan to which a loan commitment relates; for financial guarantee contracts, the Company considers the changes in the risk that the specified debtor will default on the contract.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The following guidance shall be used for considering an instrument/exposure to have defaulted or credit impaired:

- In the case of margin loan facilities – any outstanding that has not been settled within 60 days after the expiry of an agreement (in the case of overdraft/revolving facility) or 30 days after the expiry of a deal (in the case of Murabaha deals).
- In the case of financial instruments such as placements or sukuks – any non-settlement of the amount due within 30 days from the due date will be considered as default.
- Bankruptcy protection has been filed for the obligor in respect of the obligor’s credit obligation to the Company.
- The Company consents to a distressed restructuring of the credit obligation where this is to result in a diminished financial obligation caused by material forgiveness, or postponement of principal, interest or fees.
- In case of financial instruments, any of the “Events of default” being met or triggered.

Given that the rebuttable presumption as per IFRS 9 for default is considered as no later than 90 days, the above five clauses on default are considered reasonable.

Any of the above condition being met shall be considered as a default / credit impaired and hence the financial instrument shall be moved to stage 3 of the General approach and hence lifetime ECL shall be recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Credit-impaired financial assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; and
- the disappearance of an active market for that financial asset because of financial difficulties

Write-off policy
The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following bases:

- Nature of financial instruments
- Past-due status; and
- Nature, size and industry of debtors

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Measurement and recognition of expected credit losses (Continued)
The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets
The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity
Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company’s own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company’s own equity instruments.

Financial liabilities
All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities (Continued)

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liabilities.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities subsequently measured at amortized cost
The Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities
The Company derecognizes financial liabilities when, and only when, the Company’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Company unless otherwise stated and have maturities of three months or less from the date of acquisition, which are subject to insignificant risk of changes in values.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal enforceable right to offset the recognized amounts and intends to settle them on a net basis or to realize the assets and settle the liability simultaneously.

Margin loans and murabaha financing

Margin loans and murabaha financing are recognized at an amortised cost less any expected credit losses as it satisfies hold-to-collect business model test and solely through payment of principal and interest (SPPI) test.

All margin loans and murabaha financing at December 31, 2019 are maturing within one year.

Accrued management fees and commission income

Accrued management fees and commission income are recognized at an amortised cost less any expected credit losses (ECL). ECL is calculated using the simplified impairment approach.

Goodwill

Goodwill arising on an acquisition of a business (being the excess of the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree over the fair values of net assets acquired) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

If the fair values of net assets acquired exceed the aggregate of consideration transferred and the amount of any non-controlling interest in acquiree, the resulting gain is recognized in profit or loss as a bargain purchase gain.

For the purposes of impairment testing, goodwill is allocated to each of the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are carried at cost net of accumulated depreciation and/or accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation is charged to the statement of profit or loss, using the straight-line method to allocate the costs of the related assets over the following estimated useful lives:

	Number of years
Leasehold improvements	Over the lease period or 5 years, whichever is lesser
Computers hardware	4
Vehicles	4
Furniture and office equipment	4

Capital work in progress is transferred to the appropriate property and equipment category upon completion and depreciated from the point at which it is ready to use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain and loss on derecognition of the assets (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of profit or loss when the asset is derecognised.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss, as and when incurred. Major renewals and improvements, if any, are recognized in the carrying amount of the property and equipment.

The residual values, useful lives and methods of depreciation on property and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

The Company applies the following useful life for amortization to its intangible assets:

Software	4 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in profit or loss when the asset is derecognized.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

Impairment of non-financial assets

The Company assesses at each of reporting period whether there is any indication that non-financial assets may be impaired.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

Non-financial assets other than goodwill, if any, are tested for impairment when events or change in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amount, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units 'CGU'). Recoverable amount is the higher for which of an asset's fair value less cost of disposals and value in use (being the present value of the expected future cash flows of the relevant asset or CGU, as determined by management. When the carrying amount of an assets or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Such impairment loss is recognized in the statement of profit or loss in the period it has occurred.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill, if any, may no longer exists or may have decreased. A previously recognized impairment loss is reversed only if there has been change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of profit or loss. Impairment losses on goodwill, if any, are not reversible.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Zakat and income tax

In accordance with the regulations of the General Authority of Zakat and Tax ("GAZT"), the Company is subject to zakat attributable to the Saudi shareholders and to income taxes attributable to the foreign shareholders. Provisions for zakat and income taxes are charged to the statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Employee termination benefits
Employee termination benefit liabilities are determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Company presents the first two components of defined benefit costs in profit or loss in relevant line items.

Short-term and other long-term employee benefits
A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.

Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company’s articles of association, the Company is required to allocate 10% of its net income each year to a statutory reserve. The Company may discontinue such transfers when such reserve reaches minimum of 30% of its share capital. Such reserve is not subject to dividend distribution.

Revenue recognition

Brokerage fees are recognized on accrual basis upon delivery of services to customers and is stated net of discounts, if any, based on agreed applicable service contracts. Commission income from margin loans and murabaha financing are recognized on accrual basis based on the effective rate of return during the contract period, reduced by relevant commission charged by the Bank on Funds provided to finance the margin loans and murabaha financing.

Asset management fees are recognized on the accrual basis as services are provided. Management advisory and other service fees are recognized over the service period based on the applicable contract. Income on time deposits with the Bank is recognized on accrual basis.

Corporate finance are recognized upon delivery of services to customers.

Dividends income from investments is recognized when the Company’s right to receive the dividends is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings per share

The Company presents basic, and diluted (if any), earnings per share (EPS) data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for own shares held (if any). Diluted EPS, if any, is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for own shares held, for the effects of all dilutive potential common shares.

Expenses

Expenses are measured and recognized as a period cost at the time when they are incurred. Expenses related to more than one financial period are allocated over such periods proportionately.

Dividends

Dividends are recorded in the financial statements in the period in which they are declared.

Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the Company and, accordingly, are not included in these accompanying financial statements. Such assets primarily comprise of clients' cash accounts.

3. NEW AND AMENDED STANDARDS AND INTERPRETATION

(i) New and amended standards adopted by the Company

IFRS 16 - Leases

The Company adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognize in the Company's statement of financial Position, unless the term is 12 months or less or the lease for low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees.

For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and which is amortized over the useful life of the leased assets.

The Company has applied IFRS 16, using the modified retrospective method, with the result that the comparative amounts are not restated and that the lease liability as at January 1, 2019 (the date of transition) is calculated as the present value of the outstanding rentals due under the remaining term of the lease, discounted using the Company's incremental borrowing rate as at the date of the transition. The equal and opposite side of the lease liability calculated like this, is the right-of-use ("RoU") asset. Therefore, there is no adjustment against opening retained earnings as at the transition date.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

3. NEW AND AMENDED STANDARDS AND INTERPRETATION (Continued)

(i) New and amended standards adopted by the Company (Continued)

IFRS 16 – Leases (Continued)

IFRS 16 transition disclosures also require the Company to present the reconciliation. The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognized lease liabilities as of January 1, 2019:

	Saudi riyals
Off-balance sheet lease obligations as of December 31, 2018	**-**
Less: short term leases recognised on a straight line basis as an expense	-
Less: low value leases recognised on a straight line basis as an expense	-
Add: amounts for reasonably certain extension options	6,521,430
Net lease liability recognised as at January 1, 2019	**6,521,430**
Discounted lease liabilities due to initial application of IFRS 16 as of January 1, 2019	**6,243,562**
Less: payments made during the year ended December 31, 2019	(3,197,806)
Add: finance cost on lease for the year ended December 31, 2019	189,336
Lease liabilities as of December 31, 2019	**3,235,092**
Current lease liabilities	**3,126,681**
Non-current lease liabilities	**108,411**

Right-of use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. Movement for right-of-use assets as follows:

Right-of-use assets due to initial application of IFRS 16 as of January 1, 2019	**6,243,562**
Less: amortization of right-of-use during the year ended December 31, 2019	(3,066,207)
Right-of-use assets as of December 31, 2019	**3,177,355**

From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is amortized over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

3. NEW AND AMENDED STANDARDS AND INTERPRETATION (Continued)

(i) New and amended standards adopted by the Company (Continued)

IFRS 16 – Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The Company uses incremental borrowing rate as a discount factor to compute the present value of lease liability.

Right-of-use assets are measured at cost comprising the following:
• the amount of the initial measurement of lease liability
• any lease payments made at or before the commencement date less any lease incentives received
• any initial direct costs, and
• restoration costs.

The Company has elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

(ii) New and amended IFRS applied with no material effect on the financial statements

The following new and amended IFRSs, which became effective for annual periods beginning on or after January 1, 2019, have been adopted in these financial statements.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities*

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after January 1, 2019, with earlier application permitted. There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*

The *Annual Improvements* include amendments to four Standards.

IAS 12 *Income Taxes*

The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 *Borrowing costs*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

3. NEW AND AMENDED STANDARDS AND INTERPRETATION (Continued)

(ii) New and amended IFRS applied with no material effect on the financial statements (Continued)

IFRS 3 *Business Combinations*

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including re-measuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be re-measured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

IFRS 11 *Joint Arrangements*

The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not re-measure its PHI in the joint operation.

Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements.

Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures.

These amendments clarify that an entity applies IFRS 9 *Financial Instruments* to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Annual Improvements to IFRSs 2015-2017 *Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*

IFRIC 23 *Uncertainty over Income Tax Treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
- The effect of changes in facts and circumstances.

The application of these amended IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

3. NEW AND AMENDED STANDARDS AND INTERPRETATION (Continued)

(iii) New and amended IFRSs in issue but not yet effective and not early adopted

The Company has not applied the following new and amended IFRSs that have been issued but are not yet effective, which will become effective for annual periods on or after January 1, 2020.

Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

Definition of a Business – Amendments to IFRS 3 *Business Combinations*
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.

Amendments to *References to the Conceptual Framework in IFRS Standards*

Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments
Amendments regarding pre-replacement issues in the context of the IBOR reform

IFRS 17 *Insurance Contracts*
IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at January 1, 2022.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

4. PROPERTY AND EQUIPMENT, NET

	Computers Hardware	Leasehold improvements	Vehicles	Furniture and office equipment	Total
Cost:					
January 1, 2019	**12,601,886**	**7,856,495**	**40,625**	**5,299,899**	**25,798,905**
Additions during the year	**98,842**	**25,790**	**-**	**39,188**	**163,820**
December 31, 2019	**12,700,728**	**7,882,285**	**40,625**	**5,339,087**	**25,962,725**
Accumulated depreciation:					
January 1, 2019	**11,984,240**	**7,026,277**	**40,624**	**5,069,584**	**24,120,725**
Charge for the year	**420,698**	**545,091**	**-**	**138,241**	**1,104,030**
December 31, 2019	**12,404,938**	**7,571,368**	**40,624**	**5,207,825**	**25,224,755**
Net book value:					
December 31, 2019	**295,790**	**310,917**	**1**	**131,262**	**737,970**
Cost:					
January 1, 2018	12,610,447	7,819,440	40,625	5,287,517	25,758,029
Additions during the year	5,349	37,055	-	12,382	54,786
Disposals during the year	(13,910)	-	-	-	(13,910)
December 31, 2018	12,601,886	7,856,495	40,625	5,299,899	25,798,905
Accumulated depreciation:					
January 1, 2018	11,081,195	6,450,369	40,624	4,811,877	22,384,065
Charge for the year	910,528	575,908	-	257,707	1,744,143
Disposals	(7,483)	-	-	-	(7,483)
December 31, 2018	11,984,240	7,026,277	40,624	5,069,584	24,120,725
Net book value:					
December 31, 2018	617,646	830,218	1	230,315	1,678,180

(All Amounts In Saudi Riyals Unless Otherwise Stated)

5. INTANGIBLES, NET

	Computer Software
Cost:	
January 01, 2019	**10,512,682**
Additions during the year	**615,370**
December 31, 2019	**11,128,052**
Accumulated amortization:	
January 01, 2019	**8,477,244**
Charge for the year	**786,774**
December 31, 2019	**9,264,018**
Net book value:	
December 31, 2019	**1,864,034**
Cost:	
January 1, 2018	9,630,737
Additions during the year	881,945
December 31, 2018	10,512,682
Accumulated amortization:	
January 1, 2018	7,694,405
Charge for the year	782,839
December 31, 2018	8,477,244
Net book value:	
December 31, 2018	2,035,438

6. INVESTMENTS

Investment designated as FVTOCI:

	December 31, 2019	December 31, 2018
Listed Shares	**6,017,632**	1,918,800
Unrealized Gain	**611,166**	250,920
Total Fair Value	**6,628,798**	2,169,720

Investment classified as FVTPL:

	December 31, 2019	December 31, 2018
Mutual Funds	**17,459,226**	**31,269,994**
Unrealized gain / (Loss)	**1,345,307**	**(4,309,518)**
Total Fair Value	**18,804,533**	**26,960,476**

7. GOODWILL

During 2011, the Company acquired net assets of SAIB BNP Paribas Asset Management Company at the acquisition price of SR 104,714,828. Net assets of SAIB BNP Paribas Asset Management Company at the date of acquisition were SR 92,835,110. The acquisition resulted in recognition of goodwill amounted to SR 11,879,718 in the statement of financial position. The Company has carried out impairment assessment based on fair value less cost to sell at the end of the year and concluded that no impairment required.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

8. DEFERRED TAX ASSET

	December 31, 2019	December 31, 2018
Opening balance	**108,000**	326,000
Reversal during the year	**(108,000)**	(218,000)
Closing balance	**-**	108,000

Deferred tax assets relate to provisions and accumulated depreciation. Management believes that future taxable profits will be available against which deferred tax asset can be realized. Asset for deferred taxation comprising temporary differences related to:

	December 31, 2019	December 31, 2018
Employees' termination benefits – provision	-	71,097
Depreciation	-	8,538
Unrealized loss on investment at FVTPL	-	25,531
Expected Credit Loss – provision	-	2,834
	-	108,000

The foreign shareholding in the Company is represented through a Nil stake in The Saudi Investment Bank (the "Bank"), which resulted in an effective Nil foreign shareholding in the Company as at December 31, 2019 (December 31, 2018: 2.5%). Change in ownership resulted in nil recognition of deferred tax from the date of change.

9. CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash on hand	**10,000**	10,000
Cash at bank *(Note 20)*	**825,670**	699,269
	835,670	709,269
Less: Expected Credit Loss *(Note 17)*	**(611)**	(595)
	835,059	708,674

		Cash at Bank – years past due				
December 31, 2019	**Not past due**	**Less than one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
ECL rate (%)	**0.07%**	-	-	-	-	-
Carrying amount	**825,670**	-	-	-	-	**825,670**
ECL	**(611)**	-	-	-	-	**(611)**
Net amount						**825,059**
December 31, 2018						
ECL rate (%)	0.09%	-	-	-	-	-
Carrying amount	699,269	-	-	-	-	699,269
ECL	(595)	-	-	-	-	(595)
Net amount						698,674

(All Amounts In Saudi Riyals Unless Otherwise Stated)

10. MARGIN LOANS AND MURABAHA FINANCING

	December 31, 2019	December 31, 2018
Margin Loans	**320,427,496**	260,239,499
Murabaha Financing	**166,367,237**	116,666,892
	486,794,733	376,906,391

Loans are collateralized by approved coverage of 200% of market value of the customer respective portfolio. The Company in the ordinary course of lending activities holds collateral as security to mitigate credit risk on its margin loans and murabaha financing. The collateral includes shares. The collateral is managed against relevant exposures at their net realizable values. The estimated fair value of collateral held by the Company as security for margin loans and murabaha financing is approximately SR 2,625 million (December 31, 2018: SR 2,427 million). All loans mature within twelve month from the inception date.

11. ACCRUED FEE AND COMMISSION INCOME

	December 31, 2019	December 31, 2018
Accrued asset management fee	**25,621,445**	20,378,208
Accrued commission income	**4,025,876**	8,063,437
Accrued brokerage fee	**404,685**	334,265
Accrued corporate finance fee	**84,000**	-
	30,136,006	28,775,910
Less: Expected Credit loss *(Note 17)*	**(336,761)**	(509,880)
	29,799,245	28,266,030

		Accrued fee and commission income – years past due				
	Not past due	**Less than one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
December 31, 2019						
ECL rate (%)	-	1.37%	-	-	-	-
Carrying amount	**5,500,485**	**24,635,521**	-	-	-	**30,136,006**
ECL	-	**(336,761)**	-	-	-	**(336,761)**
Net amount						**29,799,245**
December 31, 2018						
ECL rate (%)	-	2.90%	-	-	-	-
Carrying amount	11,204,297	17,571,613	-	-	-	28,775,910
ECL	-	(509,880)	-	-	-	(509,880)
Net amount						28,266,030

(All Amounts In Saudi Riyals Unless Otherwise Stated)

12. PREPAID EXPENSES AND OTHER ASSETS

	December 31, 2019	December 31, 2018
Receivable from mutual funds	**1,740,695**	1,076,294
Prepaid insurance	**1,271,004**	1,279,215
Staff advance housing	**610,405**	499,280
Staff personal loans and receivable	**411,717**	335,761
Subscriptions	**264,298**	401,386
Prepaid IT services	**287,019**	308,780
Other receivables	**391,898**	255,416
	4,977,036	4,156,132
Less: Expected Credit Loss *(Note 17)*	**(51,534)**	(56,408)
	4,925,502	4,099,724

		Other assets – years past due				
	Not past due	**Less than one year**	**One to two years**	**Two to three years**	**Over three years**	**Total**
December 31, 2019						
ECL rate (%)	**0.00%**	**1.39%**	**3.41%**	**3.41%**	**3.41%**	-
Carrying amount	**2,135,299**	**2,250,898**	**495,839**	**25,000**	**70,000**	**4,977,036**
ECL	-	**(31,368)**	**(16,924)**	**(853)**	**(2,389)**	**(51,534)**
Net amount						**4,925,502**
December 31, 2018						
ECL rate (%)	0.61%	1.60%	3.62%	-	3.65%	-
Carrying amount	932,817	1,219,429	791,631	-	70,000	3,013,877
ECL	(5,708)	(19,468)	(28,677)	-	(2,555)	(56,408)
Net amount						2,957,469

13. EMPLOYEES' TERMINATION BENEFITS

	December 31, 2019	December 31, 2018
Balance at the beginning of the year	**14,219,301**	14,328,687
Current service cost	**1,928,541**	1,972,841
Interest cost	**683,927**	579,275
Paid during the year	**(594,084)**	(1,949,254)
Actuarial gain	**(346,573)**	(712,248)
Balance at the end of the year	**15,891,112**	14,219,301

The most recent actuarial valuation was performed by an independent, qualified actuary using the projected unit credit method.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

13. EMPLOYEES' TERMINATION BENEFITS (Continues)

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2019	December 31, 2018
Discount rate	**3.20%**	4.65%
Rate of salary increases	**3.20%**	4.65%

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income.

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	December 31, 2019	December 31, 2018
Increase in discount rate of 0.5%	**15,092,310**	13,503,101
Decrease in discount rate of 0.5%	**16,755,788**	14,995,105
Increase in rate of salary increase of 0.5%	**16,758,199**	14,997,222
Decrease in rate of salary increase of 0.5%	**15,082,466**	13,494,411

14. EMPLOYEES' LONG-TERM BENEFITS

	December 31, 2019	December 31, 2018
Employees' long-term service award *	**-**	6,217,696
Employees' service security plan **	**50,985**	149,324
	50,985	6,367,020

* The employees' long-term service is terminated during the year.

** The plan cycle was from January 1, 2013 to December 31, 2016. There are very nominal employees covered in this plan as the Company is in the final process to close it

Employees' long-term service award	**December 31, 2019**	December 31, 2018
Balance at the beginning of the year	**6,217,696**	8,166,918
(Reversal) / current service cost	**(402,919)**	1,369,485
Interest cost	**-**	300,079
Paid during the year	**(5,814,777)**	(2,380,405)
Actuarial gain	**-**	(1,238,381)
Balance at the end of the year	**-**	6,217,696

Employees' service security plan	**December 31, 2019**	December 31, 2018
Balance at the beginning of the year	**149,324**	1,021,000
Current / (reversal) cost	**57,602**	(273,359)
Paid during the year	**(155,941)**	(598,317)
Balance at the end of the year	**50,985**	149,324

(All Amounts In Saudi Riyals Unless Otherwise Stated)

15. ACCRUED EXPENSES AND OTHER LIABILITIES

	December 31, 2019	December 31, 2018
Rebate payable (Mutual funds)	**13,141,542**	22,545,539
Accrued employees related expenses	**6,949,400**	4,798,130
Accrued directors and committees members fee	**1,400,000**	302,500
Accrued professional fees	**913,250**	396,100
GOSI Payable	**381,131**	362,226
Accrued utility charges	**374,185**	482,713
Accrued IT services	**287,306**	400,495
Subscription charges	**224,674**	289,555
Business service charges	**-**	661,601
Other	**1,959,371**	2,943,915
	25,630,859	33,182,774

16. PROVISION FOR ZAKAT AND INCOME TAX

Components of zakat base

The significant components of the zakat base of the Saudi shareholders are principally comprised of the following:

Zakat Base	**Year ended December 31,**	
	2019	**2018**
Shareholders equity - beginning of the year	**362,359,394**	351,891,375
Net income for the year, as adjusted	**33,615,172**	12,779,046
Provisions	**14,510,552**	14,328,687
Property and equipment, net	**(15,802,760)**	(17,823,581)
Investments	**(6,628,798)**	(1,918,800)
Total zakat base	**388,053,560**	359,256,727
Saudi shareholding percentage	**100%**	97.5%
Zakat base for Saudi shareholders base on shareholding	**378,854,147**	330,343,942
Adjusted net income for Saudi shareholders	**33,276,718**	11,750,596
Estimated zakat for the year	**9,739,867**	8,258,599

The zakat is calculated at 2.5% of the zakat base for Saudi shareholders or adjusted net income for Saudi shareholders, whichever is higher.

Taxable income	**Year ended December 31,**	
	2019	**2018**
Taxable income of the Company - foreign shareholders	**33,615,172**	12,779,046
Foreign shareholding percentage	**Nil**	2.5%
Taxable income for foreign shareholders base on shareholding	**338,454**	1,028,450
Income tax calculated at 20%	**67,691**	205,690

(All Amounts In Saudi Riyals Unless Otherwise Stated)

16. PROVISION FOR ZAKAT AND INCOME TAX (Continued)

The movement in provision for zakat and income tax during the year ended December 31, 2019 is summarized as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	**14,798,042**	**539,618**	**15,337,660**
Additions during the year	**9,730,000**	**70,000**	**9,800,000**
Prior years provision	**3,300,000**	**-**	**3,300,000**
Payments during the year	**(8,294,436)**	**(197,441)**	**(8,491,877)**
Balance at the end of the year	**19,533,606**	**412,177**	**19,945,783**

The movement in provision for zakat and income tax during the year ended December 31, 2018 is summarized as follows:

	Zakat	Income tax	Total
Balance at the beginning of the year	11,990,406	531,744	12,522,150
Additions during the year	8,420,000	210,000	8,630,000
Payments during the year	(5,612,364)	(202,126)	(5,814,490)
Balance at the end of the year	14,798,042	539,618	15,337,660

The Company received and settled its assessment orders of zakat and income tax with the GAZT up to the year 2010. The Company also filed its zakat and income tax return for the years 2011 to 2018 and received assessments for the Year 2011 to 2017. For details refer Note 21.

17. EXPECTED CREDIT LOSS PROVISION

The following table shows the movement in lifetime ECL in accordance with the simplified approach set out in IFRS 9.

	Lifetime ECL - not credit impaired			
	Cash at bank	Accrued fee and commission income	Other assets	Total SR
Balance at 1 January 2019	595	509,880	56,408	566,883
Charged / reversal during the year	**16**	**(173,119)**	**(4,874)**	**(177,977)**
Balance at 31 December 2019	**611**	**336,761**	**51,534**	**388,906**

18. OTHER GENERAL, ADMINISTRATIVE AND MARKETING EXPENSES

	Year ended December 31,	
	2019	2018
IT services	**4,768,856**	4,346,693
Directors and committees members fee	**1,450,031**	379,415
Janitorial and cleaning services	**1,403,360**	1,418,428
Utility charges	**915,584**	901,347
Insurance cost	**323,505**	322,650
Repairs and maintenance expenses	**271,581**	190,082
Travel and conveyance	**236,957**	191,834
Advertising and marketing	**195,992**	321,978
Stationery and supplies	**89,060**	119,457
Penalties and fines	**-**	2,000
Other	**744,877**	1,388,405
	10,399,803	9,582,289

19. EARNINGS PER SHARE

Earnings per share is calculated by dividing the net income for the year by the weighted average number of shares for the year ended December 31, 2019 and 2018 amounting to 25 million shares.

20. RELATED PARTY TRANSACTIONS

In the ordinary course of its activities, the Company transacts business with The Saudi Investment Bank (The sole shareholder of the Company).The Company has an overdraft facility from The Saudi Investment Bank to finance the margin loans and murabaha financing granted to its customers with a maximum limit of SR 1,200 million (December 31, 2018: SR 1,200 million). At December 31, 2019, the utilized amount of such facility is SR 113 million (December 31, 2018: SR 23 million). The Bank charged the Company commission expense on the utilized balance for the year ended December 31, 2019 amounting to SR 0.5 million (December 31, 2018: SR 3.97 million). The Company also entered in a Corporate Finance transaction with The Saudi Investment Bank amounting to SR 0.43 million (December 31, 2018: SR 2 million)

Margin loans outstanding with Board and key management personnel amounts to SR 2,232,390 (December 31, 2018: SR 2,569,270). Related Commission income for the year amounts to SR 62,041 (December 31, 2018: SR 141,636).

The Company also maintains its operating bank account with The Saudi Investment Bank (see Note 9).

The Company has several agreements with the Bank as follows:

i. Rent and premises related services agreement, under which the Bank provides to the Company the head office location and 5 branch locations (2018: 5 branch locations), rental of existing property and equipment, location and equipment maintenance, utilities, communication and parking lots for an annual charge of SR 3,155,866 (December 31, 2018: SR 3,500,266).

ii. Mailing service agreement, under which the Bank provide all mailing services to the Company through the Bank's Mail Department for an annual charge of SR 39,000 (December 31, 2018: SR 39,000).

iii. Archive service agreement, under which the Bank keep the Company's files through the Bank's Administration Department for an annual charge of SR 80,000 (December 31, 2018: SR 80,000).

iv. Information Technology (IT) agreement under which the Bank provide all IT services including services relating to e-mail, internet and related maintenance services for an annual charge of SR 980,276 (December 31, 2018: SR 661,601).

Salaries and employee related expenses include an amount of SR 9,456,245 for the year ended December 31, 2019 for key management personnel (December 31, 2018 SR 10,909,297).

21. COMMITMENTS AND CONTINGENCIES

As at December 31, 2019, the Company has commitments to extend margin loans amounting to SR 591 million (December 31, 2018: SR 636 million).

During 2019, the Company received final assessments from GAZT for additional zakat & tax amounting to SR 14.8 million related to the years 2011 to 2017, mainly due to disallowance of long-term investments from the zakat base. The Company, in consultation with its zakat & tax advisors, has initially filed an appeal with the GAZT which was rejected. The company has filed another appeal with General Secretariat of Tax Committees (GSTC) and also submitted a settlement proposal for finalization of assessments with Alternative Dispute Resolution Committee (ADRC) and is awaiting a response. The Company made additional provision of SAR 3.3 million for the settlement with ADRC in the financial statements for the year ended December 31, 2019. Management after consultation with zakat & tax advisor believes that the provision is adequate.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

22. FIDUCIARY ASSETS

Clients' money accounts

At December 31, 2019, the Company held clients' cash accounts with the Bank, amounting to SR 1,735 million (December 31, 2018: SR 1,032 million), to be used for investments upon client discretion. Consistent with its accounting policy, such balances are not included in the Company's financial statements.

Assets under management

The market value of net assets under management at December 31, 2019 amounted to approximately SR 18,799 million (December 31, 2018: SR 15,228 million).

23. FINANCIAL INSTRUMENTS

Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the equity balance. The Company's overall strategy remains unchanged from the previous year.

The capital structure of the Company consists of debt and equity comprising share capital, retained earnings and Bank overdraft.

Categories of financial instruments

	December 31, 2019	December 31, 2018
Financial assets through other comprehensive Income		
Investments *(Note 6)*	**6,628,798**	2,169,720
Financial assets through profit or loss		
Investment *(Note 6)*	**18,804,533**	26,960,476
Financial assets at amortised cost		
Cash at Bank *(Note 9)*	**825,670**	699,269
Margin Loans and murabaha financing *(Note 10)*	**486,794,733**	376,906,391
Accrued fee and commission income *(Note 11)*	**30,136,006**	28,775,910
Other assets *(Note 12)*	**3,154,715**	2,166,751
Financial liabilities		
Amortized cost		
Bank Overdraft *(Note 20)*	**112,594,666**	23,346,202

Market risk
The Company was exposed to market risk as described below, during the year. There were no changes in these circumstances from the previous year.

Foreign currency risk management
The Company did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

(All Amounts In Saudi Riyals Unless Otherwise Stated)

23. FINANCIAL INSTRUMENTS (Continued)

Interest rate and liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Company's profit for the year would have decreased or increased by SR 562,973 (December 31, 2018: SR 116,731). The Company's exposure to interest rates has increased during the year as a result of an increase in interest-bearing borrowings.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows:

Details	Interest Rate %	Within one year	One year to five years	Over five years	Total
December 31, 2019					
Bank overdraft	**Variable**	**112,594,666**	**-**	**-**	**112,594,666**
December 31, 2018					
Bank overdraft	Variable	23,346,202	-	-	23,346,202

Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. As at 31 December 2019, the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the statement of financial position. The Company performs credit-vetting procedures which are reviewed and updated on an ongoing basis before granting credit to its customers. The Note 17 details the Company's maximum exposure to credit risk for financial assets that are not cash and cash equivalents. The Company holds shares portfolio as collateral for Margin loans and Murabaha financing.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Company reviews the recoverable amount of each receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Margin loan and Murabaha receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of these accounts.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

23. FINANCIAL INSTRUMENTS (Continued)

Classes and categories of financial instruments and their fair values

The following table combines information about:

- classes of financial instruments based on their nature and characteristics;
- the carrying amounts of financial instruments;
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed.

Fair value hierarchy levels 1 to 3 are based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(All Amounts In Saudi Riyals Unless Otherwise Stated)

23. FINANCIAL INSTRUMENTS (Continued)

		Carrying value									Fair value			
		Financial assets					Financial liabilities				Level			
	Note	FVTPL – designated	FVTPL – mandatoriy measured	FVTOCI	FVTOCI – designated	Amortised cost	FVTPL – designated	FVTPL – mandatoriy measured	Amortised cost	`Total	1	2	3	Total
Dec 31, 2019														
Cash at bank	9	**-**	**-**	**-**	**-**	**825,670**	**-**	**-**	**-**	**825,670**	**825,670**	**-**	**-**	**825,670**
Investments	6	**-**	**18,804,533**	**-**	**6,628,798**	**-**	**-**	**-**	**-**	**25,433,331**	**13,928,282**	**11,505,049**	**-**	**25,433,331**
Bank overdraft	20	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**112,594,666**	**112,594,666**	**112,594,666**	**-**	**-**	**112,594,666**
Dec 31, 2018														
Cash at bank	9	-	-	-	-	699,269	-	-	-	699,269	699,269	-	-	699,269
Investments	6	-	26,960,476	-	2,169,720	-	-	-	-	29,130,196	8,069,404	21,060,792	-	29,130,196
Bank overdraft	20	-	-	-	-	-	-	-	23,346,202	23,346,202	23,346,202	-	-	23,346,202

24. REGULATORY CAPITAL REQUIREMENTS AND CAPITAL ADEQUACY RATIO

In accordance with Pillar I of the Prudential Rules issued by the CMA (the Rules), the capital base, minimum capital requirement and capital adequacy ratio are as follows:

	December 31, 2019	December 31, 2018
Capital base:	(SAR in '000)	
Tier 1 Capital	**373,744**	348,336
Tier 2 Capital	**611**	-
Total Capital Base	**374,355**	348,336
Minimum capital requirement:		
Market Risk	**1,619**	10
Credit Risk	**126,459**	105,232
Operational Risk	**17,995**	19,278
Total Minimum Capital Required	**146,073**	124,520
Capital adequacy ratio:		
Capital Ratio (time)	**2.56**	2.80
Surplus in capital	**228,282**	223,816

a) The Company's business objectives when managing capital adequacy is to comply with the minimum capital requirements set forth by the CMA in the Rules, to safeguard the Company's ability to continue as a going concern, and to maintain a strong capital base.

b) The Company will disclose on annual basis certain information's as per Pillar III of the Rules for public on the Company website (www.icap.com.sa) however these are not subject to review or audit by the external auditors of the Company.

c) The above calculations are based on the respective Capital Adequacy Model (CAM) that was provided by CMA as of the corresponding financial statement reporting years.

25. EVENTS SUBSEQUENT TO THE REPORTING DATE

No events have occurred subsequent to the reporting date and before the issuance of these financial statements which requires adjustment to, or disclosure, in these financial statements.

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements have been approved by the Board of Directors on March 12, 2020.